

Message Text

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PAGE 01 HONG K 08035 120740Z

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AS-01 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01

NSC-05 SS-15 STR-04 CEA-01 PA-01 PRS-01 AGRE-00

OES-07 FEA-01 INT-05 /106 W

-----016338 120746Z /14/20

R 120435Z JUL 77

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 5711

INFO USLO PEKING

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

AMEMBASSY PARIS

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C O R R E C T E D C O P Y (TEXT--PARA FOUR)

E.O. 11652: N/A

TAGS: ECON, CH

SUBJ: INDUSTRIAL RECOVERY UNDERWAY IN CHINA BUT GAINS
ARE MODERATE

1. ECONOMIC RECOVERY IS NOW UNDERWAY IN
CHINA FOLLOWING THE SEVERE DISLOCATIONS OF LAST YEAR,
THE MODEST CLAIMS MADE BY PEKING FOR SECOND
QUARTER INDUSTRIAL PERFORMANCE INDICATE THAT RECOVERY
THUS FAR HAS BEEN SLOW.

2. ON JULY 9, NCNA REPORTED AN ACCELERATION IN THE
PACE OF INDUSTRIAL RECOVERY DURING THE SECOND QUARTER
OF THE YEAR COMPARED WITH PERFORMANCE IN THE JANUARY-MARCH
PERIOD. DESPITE THE CLAIM THAT THE "MAJORITY" OF 80
MAJOR INDUSTRIAL PRODUCTS FULFILLED OR OVERFULFILLED
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THEIR MONTHLY PRODUCTION TARGETS FOR THE APRIL-JUNE
PERIOD, IT IS NOTABLE THAT THE REPORT SPECIFICALLY CITES
GAINS ONLY IN THOSE INDUSTRIES HARD HIT BY THE 1976
SLOWDOWN, I.E., COAL, ELECTRIC POWER, IRON AND STEEL,
RAILWAY AND HARBOR FREIGHT HANDLING AND CONSUMER GOODS
SUCH AS COTTON PIECE GOODS, PAPER, CIGARETTES.

3. WHILE CLAIMING STEADY MONTHLY RISES IN COAL, ELECTRIC POWER AND STEEL, FIGURES FOR PERCENTAGE INCREASED IN OUTPUT WERE GIVEN ONLY FOR THE OIL INDUSTRY. REPORTEDLY, CRUDE OIL OUTPUT HIT AN ALL-TIME HIGH DURING THE FIRST SIX MONTHS OF THE YEAR, INCREASING 10.6 PERCENT COMPARED WITH THE CORRESPONDING PERIOD IN 1976. WHILE THIS PERFORMANCE BETTERS THE 10.3 PERCENT CLAIMED FOR THE FIRST HALF OF 1976 OVER THE CORRESPONDING 1975 PERIOD, IT IS STILL ONLY HALF THE 20 PERCENT SHORT-TERM RATE OF GROWTH CLAIMED FOR THE PEAK PRODUCTION YEARS OF 1974-76.

4. COMMENT: THE REPORT OF GAINS IN OUTPUT IN THE INDUSTRIAL SECTOR FOR THE SECOND CONSECUTIVE QUARTER INDICATES THAT THE EFFECTS OF THE WORST ECONOMIC DISLOCATIONS OF LAST YEAR, I.E., IN THE EXTRACTIVE INDUSTRIES, ELECTRIC POWER, TRANSPORT, HAVE BEEN SUBSTANTIALLY OVERCOME AND INDUSTRIAL RECOVERY IS UNDERWAY. THUS FAR, HOWEVER, RECOVERY REMAINS SLOW AS WITNESSED BY THE QUITE MODEST GAINS IN THESE INDUSTRIES AND IN OIL. THE RAPIDITY OF THE RETURN TO PRE-1976 RATES OF GROWTH IN THESE BASIC INDUSTRIES, KEY ONES FOR CHINA'S INDUSTRIAL RECOVERY, WILL CONTINUE TO DEPEND UPON IMPLEMENTATION OF PEKING'S ANNOUNCED COMMITMENT TO THE DEVELOPMENT OF HEAVY INDUSTRY AND TO INVESTMENT OF THE CAPITAL AND LABOR NECESSARY TO OVERCOME BOTTLENECKS WHICH HAVE OCCURRED IN THIS SECTOR IN THE PAST.
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PAGE 03 HONG K 08035 120740Z

CROSS

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